

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2237-02
Bill No.: SCS for HB 949
Subject: Health Care; Health Care Professionals; Health Department; Hospitals
Type: Original
Date: April 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health** assume this proposal would not fiscally impact their agency.

Missouri Health Facilities Review Committee (MHFRC) officials state they have made the assumption that, even though the workload would increase, there would be no additional staff requested. MHFRC based their assumptions on a review of the Committee's decisions for the past three calendar years (1998, 1999, and 2000). MHFRC also examined those projects which had previously been determined to be non-applicable because they were under an expenditure minimum, but would now be reviewable as a result of this proposal. MHFRC also calculated the impact to General Revenue.

MHFRC states that during this period (1998 - 2000), the Committee reviewed 210 non-applicability requests. These proposals did not require an application fee. As a result of this proposal, 69 of the requests would now require review, would have resulted in an additional \$78,176 in application fees for the three calendar years (1998 - 2000) going into General Revenue. Therefore, as a result, MHFRC assumes that 24 additional applications would be submitted annually. If each of these applications required at least the minimum \$1,000 application fee, this would result in an annual increase to General Revenue of \$24,000.

MHFRC states that in this proposal, replacement and renovation projects costing less than \$7.5 million would not be reviewable. MHFRC examined the proposal reviewed during the 1998 - 2000 period to determine how many of those would not be reviewable as a result of this proposal. None of the 76 applications reviewed under the current statute would be reviewed under this proposal. Using the actual amount of application fees associated with these projects, the result would be an annual loss to General Revenue of approximately \$64,000.

MHFRC made the assumption that, because RCFs would no longer be subject to the long-term care moratorium, MHFRC could expect an increase in the number of applications for additional beds and facilities. MHFRC estimates that they would review 20 additional applications annually or approximately two percent of the existing licensed RCFs and ICF/SNFs. MHFRC states they have conservatively applied the minimum application fee of \$1,000 for each application resulting in an annual increase to General Revenue of \$20,000. Based on past experience, the application fees for projects for new RCFs would be greater than \$1,000; therefore, the increase to General Revenue should be greater than the amount shown here.

Since bed increases, for the first time, could be done between RCFs and SNFs, MHFRC expects an increase in the number of applications submitted for such proposal. MHFRC estimates an additional 20 applications and have applied the minimum application fee of \$1,000 for each, resulting in an annual increase to General Revenue of \$20,000.

ASSUMPTION (continued)

MHFRC states that based on their assumptions and projections, they anticipate no negative impact to General Revenue.

MHFRC states that if applicants know that a project is reviewable, regardless of cost, they may decide to go with high-end equipment and construction. In the past, in order to stay below the expenditure minimum, often times applicants would use minimum construction standards. As a result of this proposal, quality of care may be enhanced because minimum standards would no longer be used for construction. Many applicants who had received a Non-Applicability CON letter in the past would have difficulty proving a need for the service under the proposal. This could result in a higher level of debate and competition among proposed services in major metropolitan areas, but restrain increases to Medicaid funds and already-strained employee insurance premiums.

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** state that changing the dollar cap on nonreviewable projects from \$1 million to \$7.5 million could have an impact on DMS, however it is believed the impact would be minimal. Under current regulation, a non-state inpatient hospital must have a CON in order to request a rate adjustment for a new or expanded service. Increasing the threshold for a CON from \$1 million to \$7.5 million would reduce the number of projects that qualify for a rate adjustment thus reducing rate adjustment requests. This would delay recognition of those costs by three years when they would be included in the base year cost report. The annual impact of this change would be \$12,435 beginning in FY 2005. This was based on a review of the rate requests received that are under \$7.5 million.

DOS - Division of Aging (DA) officials state the division assumes there would be a minimal fiscal impact associated with this proposal.

The **Barton County Memorial Hospital**, the **Cass Medical Center**, the **Cooper County Memorial Hospital**, the **Excelsior Springs Medical Center**, the **Lincoln County Memorial Hospital**, the **Pemiscot Memorial Hospital**, the **Phelps County Regional Medical Center**, the **Ray County Memorial Hospital**, the **Samaritan Memorial Hospital**, and the **Ste. Genevieve County Memorial Hospital** did not respond to our fiscal impact request.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would make a technical correction to the law concerning whistleblower protections for certain health care employees. Whistleblower employees would be informed of their right to notify the Department of Health of any additional information concerning alleged violations of law or rules concerning patient care and safety or facility safety.

This proposal would be known as the "Missouri Health Facilities Review Law" and would state the purpose of the Office of Health Facilities Review. Revised definitions would be provided. (Sections 197.370 - 197.374).

The Missouri Health Facilities Review Committee would be established, consisting of 7 members and the director of the Division of Health Standards and Licensure and the Division of Aging. The Committee would meet at least twice per year. (Section 197.376). The duties of the Committee are provided, including the review and approval or disapproval of all applications for review certification. (Section 197.378).

The procedures for application submission are outlined. A letter of intent should be submitted 30 days before filing an application and a fee would accompany the application. Applicants would have the right to appeal the Committee's decision. (Section 197.380 - 197.382).

Any person proposing a new institutional health service, first-time service, the addition of newly licensed beds, renovations over a certain amount, or MOHEFA financing would obtain a non-transferable review certification. Certification would be granted to those meeting the health needs of the community. If costs exceed 10% of the approved amount, the Committee would consent to the increase. Applicants would submit periodic reports and the Committee may revoke certification in certain situations. A review certification would be forfeited for failure to spend 20% of the total approved cost within 12 months. State agencies would not license, certify, or provide funds without a person or facility first obtaining review certification, if required to do so. (Section 197.384).

An application for review certification would not be required for previously certified facilities which are run by the state, facilities operated for the purpose of treating AIDS patients, and other nonreviewable projects. (Section 197.386).

MW:LR:OD (12/00)

DESCRIPTION (continued)

Review certification would not be issued until January 1, 2006 for additional ICF or SNF beds, unless they would be exempt from review certification requirements, or for hospital beds which would be reallocated to nursing care beds. (Section 197.388).

The Department of Health would determine existing need for additional beds by county. Occupancy within a county must exceed 90% for at least 4 consecutive quarters and the Department may make other considerations, as well. (Section 197.390).

The procedure for increasing licensed bed capacity in an intermediate care facility or a skilled nursing facility is outlined. This section would also allow residential care facilities to purchase licensed beds from SNFs for the purpose of continuum of care. The RCF may purchase up to 10% of its current licensed bed capacity. A SNF may purchase up to 10% of its licensed bed capacity from RCFs. Any facility that transfers or sells beds would not expand its bed capacity for 5 years after the transaction. This section would not prohibit a health care facility from being replaced in its entirety within 15 miles of its existing site. (Section 197.392).

Any person paid to support or oppose a project would register with the Committee. Persons regulated by chapters 197 or 198 would be prohibited from soliciting Committee members while an application is pending. (Section 197.394).

Reimbursement for new institutional health service project costs over 10% of the initial estimate would not be paid for the first 3 years that a facility receives payment for services through Medicaid. A review certification would be granted before payment for excess project costs would be made. The Committee would submit an annual report to the Governor and General Assembly regarding approved, disapproved, or pending projects. The Committee would be given rule authority to enforce these sections. (Section 197.396 - 197.398).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health
Department of Social Services
Missouri Health Facilities Review Committee

NOT RESPONDING: Barton County Memorial Hospital, Cass Medical Center, Cooper County Memorial Hospital Excelsior Springs Medical Center, Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, Ste. Genevieve County Memorial Hospital



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April 27, 2001